

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE CRITTENDEN-)
LIVINGSTON COUNTY WATER DISTRICT, A)
WATER DISTRICT ORGANIZED PURSUANT)
TO CHAPTER 74 OF KENTUCKY REVISED)
STATUTES, OF CRITTENDEN AND)
LIVINGSTON COUNTIES, KENTUCKY, FOR)
(1) A CERTIFICATE OF PUBLIC CON-)
VENIENCE AND NECESSITY, AUTHORIZING)
AND PERMITTING SAID WATER DISTRICT)
TO ACQUIRE AND CONSTRUCT A NEW)
WATERWORKS SYSTEM, CONSISTING OF A)
WATER TREATMENT PLANT, PUMPING)
STATIONS, AND THE NECESSARY DISTRI-)
BUTION SYSTEM AND LINES NEEDED TO)
SERVICE WATER TO SAID DISTRICT;)
(2) APPROVAL OF THE PROPOSED PLAN)
OF FINANCING OF SAID PROJECT; (3))
APPROVAL OF THE WATER RATES PRO-)
POSED TO BE CHARGED BY THE DISTRICT)
TO CUSTOMERS OF THE DISTRICT)

CASE NO. 8985

O R D E R

The Crittenden-Livingston County Water District ("Crittenden-Livingston"), by application filed February 16, 1984, and amended during the proceedings in this matter, is seeking the establishment of initial water service rates, authorization to construct a \$3,287,000 waterworks project, approval of its financing for the proposed project and the transfer of ownership of a 200,000-gallon water storage tank and about 9 miles of 8-inch water main from the City of Salem to Crittenden-Livingston. The project financing includes \$106,000 from applicants for service in the proposed project

area, a grant of \$500,000 from the Department of Housing and Urban Development, a grant of \$50,000 from the Livingston County Fiscal Court, a grant of \$85,000 from the Pennyrile Area Development District, a grant of \$1,320,000 from the Farmers Home Administration ("FmHA") and FmHA loans that total \$1,226,000 (a \$1,055,000 loan at 8 3/8 percent annual interest secured before advertisement for bids and a \$171,000 loan at 7 1/2 percent annual interest that was secured after bids were opened). Crittenden-Livingston will issue water-works revenue bonds as security for the loans. The repayment period for the loans will be 40 years.

Operational status will be attained by Crittenden-Livingston upon completion of this initial construction project. Initiation of operations will provide for the delivery of water service to about 725 customers located in Crittenden and Livingston counties. About 531 of the 725 customers will be served by the new construction. The other 194 are currently served by the Livingston County City of Salem from an 8-inch main that connects Salem to the Crittenden County City of Marion. The water carried by this main is purchased from Marion by Salem.

The construction plans and specifications of record in this matter were prepared by GRW Engineers, Inc., of Louisville, Kentucky, ("Engineer") and have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing was held in the offices of the Public Service Commission, Frankfort, Kentucky, on September 5, 1984. There were no intervenors, and no protests were entered.

Crittenden-Livingston originally requested approval of rates which would provide operating revenues of \$203,602. Crittenden-Livingston later revised its filing to request rates which would provide operating revenues of \$232,618. The Commission has allowed the requested rates in this Order.

TEST PERIOD

This is a proposed rather than an operating utility and, accordingly, test period information does not exist. Estimated pro forma projections of expenses have been utilized for the determination of revenue requirements.

PROJECTED REVENUES AND EXPENSES

Crittenden-Livingston projected operating expenses of \$89,000, exclusive of depreciation expense, on the basis of providing service to 718 customers. The Commission is of the opinion that the projected operating expenses generally are proper and they have, therefore, been accepted.

REVENUE REQUIREMENTS

Based on its proposed method of financing Crittenden-Livingston projected a revised debt service of \$102,000. Utilizing the projected number of customers to be served by Crittenden-Livingston, the revised rates proposed should generate sufficient revenues to allow Crittenden-Livingston

to meet its debt service requirements to FMHA. Expected growth may provide additional revenues in the future. The Commission is, therefore, of the opinion that the revenue requirements requested by Crittenden-Livingston are fair, just and reasonable in that they will allow Crittenden-Livingston to meet its operating expenses, provide sufficient revenues to meet its debt service requirements and contribute towards adequate equity growth.

ACCOUNTING REQUIREMENTS

Crittenden-Livingston's witness Mr. George Patmor, Chairman of the District, testified at the hearing that Crittenden-Livingston would provide to the Commission the journal entries to be made on its books to record the acquisition of a water tank and existing line from the City of Salem.¹ To date these entries have not been filed with the Commission. Crittenden-Livingston should file these entries within 30 days of the date of this Order.

RATE DESIGN

Crittenden-Livingston proposed a general use declining block rate structure, meter installation charges, service charges, coin operated and resale water rates. The Commission finds these rate proposals acceptable and will approve them as filed, except in the case of the resale

¹ Transcript of Evidence, pages 46-49.

rate, which has been set at \$1.25 per 1,000 gallons rather than \$1.45 per 1,000 gallons.²

Crittenden-Livingston also proposed a surcharge to be billed new customers on a water line to be purchased from the City of Salem. The Commission will not approve the proposed surcharge, as it is not necessary to Crittenden-Livingston's revenue requirement and is inconsistent with Commission policy.

FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The proposed project for the Crittenden-Livingston water system includes a water treatment plant and intake, two 200,000-gallon water storage tanks, 2 booster pumping stations, about 48 miles of 12-, 8-, 6-, 4-, and 3-inch water main and miscellaneous appurtenances. The incorporation of a 200,000-gallon water storage tank and about 9 miles of an

² FmHA initially recommended a resale rate of \$1.25 and later revised the recommendation to \$1.45. Crittenden-Livingston notified the Commission that it preferred the originally fixed resale rate of \$1.25, to avoid renegotiating resale contracts.

existing 8-inch distribution main into the newly constructed distribution system is also proposed.

3. The low bids received for the proposed construction totaled \$2,837,000 which will require about \$3,287,000 in project funding after allowances are made for fees, contingencies, and other indirect costs.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be subject to the prior approval of this Commission.

5. The proposed acquisition of a 200,000-gallon storage tank and about 9 miles of 8-inch distribution main now owned by the City of Salem is reasonable and should be approved. The main connects the City of Salem to the City of Marion, allowing Salem to purchase water from Marion and to serve about 194 customers between the two cities. After project completion and incorporation of this main into the Crittenden-Livingston distribution system, potable water will flow toward both Marion and Salem from the new treatment plant located on the Cumberland River. The cost of acquisition to Crittenden-Livingston will be the provision of a master metered service connection for the City of Salem.

6. Crittenden-Livingston should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

7. Crittenden-Livingston should file with the Commission duly verified documentation which shows the total costs

of construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. The construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

8. Crittenden-Livingston's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. The supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

9. Crittenden-Livingston should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

10. A 5/8-inch x 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

11. Crittenden-Livingston should file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

12. The proposed borrowing of \$1,226,000 is for lawful objects within the corporate purposes of Crittenden-Livingston, is necessary and appropriate for and consistent with the proper performance of services to the public by Crittenden-Livingston, and will not impair its ability to perform these services.

13. The financing secured by Crittenden-Livingston for this project will be needed to pay for the work herein approved. Crittenden-Livingston's financing plan should, therefore, be approved.

14. The revised rates should generate sufficient revenues to meet Crittenden-Livingston's operating expenses and debt service requirements and provide for sufficient capital growth.

15. The proposed revised rates are fair, just and reasonable and should be approved.

IT IS THEREFORE ORDERED that Crittenden-Livingston be and it hereby is granted a certificate of public convenience and necessity to proceed with the waterworks construction projects described by the plans and specifications of record herein approved.

IT IS FURTHER ORDERED that Crittenden-Livingston shall comply with Finding number 4 and Findings 6 through 11 herein the same as if each of these findings were also ordered.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are the fair, just and reasonable rates to be charged by Crittenden-Livingston for water service rendered on and after the date of this Order.

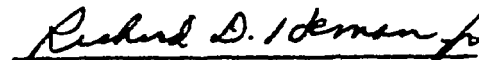
IT IS FURTHER ORDERED that Crittenden-Livingston shall file journal entries used to record the acquisition from the City of Salem.


IT IS FURTHER ORDERED that Crittenden-Livingston's proposed financing of the construction herein certificated be and it hereby is approved.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 1st day of March, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8985 DATED March 1, 1985.

The following rates and charges are prescribed for customers in the area served by the Crittenden-Livingston County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

A. MONTHLY WATER RATES

	<u>Rate Block</u>	<u>Rate per 1,000 gallons</u>
First	1,000 gallons	\$ 8.70
Next	9,000 gallons	3.50
Next	10,000 gallons	2.80
Over	20,000 gallons	2.15

B. MINIMUM MONTHLY BILLS

<u>Meter Size</u>	<u>Usage Allowance</u>	<u>Minimum Bill</u>
5/8" x 3/4"	1,000 gallons	\$ 8.70
1"	5,000 gallons	22.70
1 1/2"	10,000 gallons	40.20
2"	15,000 gallons	68.20

C. SURCHARGES

None

D. COIN OPERATED METER SALES

Coin operated meter sales shall be at the rate of \$2.00 per 1,000 gallons of water purchased.

E. WATER PURCHASED FOR RESALES

Water purchased for resale shall be at the rate of \$1.25 per 1,000 gallons of water purchased.

F. METER INSTALLATION CHARGES

Meter installation charges shall be as follows:

<u>Meter Size</u>	<u>Non-recurring Charge</u>
5/8" X 3/4"	\$ 400.00
1"	450.00
1 1/2"	600.00
2"	800.00

Meter installations larger than 2" shall be at cost. The District shall provide a cost estimate prior to installation, upon request.

G. SERVICE CHARGES

<u>Service Item</u>	<u>Non-recurring Charge</u>
Accounting establishment (existing meter)	\$ 10.00
Reconnection (non payment)	25.00